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1990 State Of The Convenience Store Industry

CONVENIENCE STORE INDUSTRY TOTALS, TRENDS AND AVERAGES

NACS
NATIONAL ASSOCIATION OF CONVENIENCE STORES

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FOREWORD

The National Association of Convenience Stores has been working for more than 29 years to provide the best education and training assistance as well as research and information services. As the convenience store industry's national representative, we are proud to feature this timely report in your Association's list of publications. We feel this report represents a significant contribution to our goal of improving the data base for managerial decision making.

NACS wishes to thank Arthur Andersen & Co., a recognized authority in the field of retail food surveys, for conducting, compiling and reporting this survey, and Gerke & Associates, Inc., for work on data analysis and report writing.

T. C. Godwin, Jr.
T-Mart Food Stores, Inc.
Vice-Chairman,
Executive Committee for Education and Training

State of the Convenience Store Industry 1990

NACS Members	$20.00
Non-members	$50.00

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HIGHLIGHTS

Industry Totals	1988	1989
Stores	69.2 Thousand	70.2 Thousand
Total Sales	$61.2 Billion	$67.7 Billion
Gas Sales	$22.0 Billion	$27.1 Billion
Merchandise Sales	$39.2 Billion	$40.6 Billion
Profits Before Taxes	$1,163 Million	$271 Million
Number of Employees	498 Thousand	477 Thousand

Industry Trends

(Change from previous year)

Stores	+2.5%	+1.5%
Sales	+2.7%	+10.6%
Profits	-11.4%	-76.7%

Industry Averages

Sales Per Store:		
Merchandise	$567,000	$578,000
Gasoline (revenues)	$539,000	$595,000
(gallons)	612,000	672,000
Investment Required for New Urban Store	$773,300	$918,700
Sales Per Customer:		
Merchandise	$1.83	$2.29
Gross Profit Margin:		
Merchandise	36.4%	32.1%
Gasoline	11.5%	11.7%
Combined	26.2%	21.8%
Profit Before Taxes	1.9%	0.4%
Convenience Store Inflation Rate	2.4%	3.7%

About This Study

The NACS *State of the Convenience Store Industry Report* has become a recognized publication that presents reliable and up-to-date industry data. NACS is once again distributing this annual State of the Convenience Store Industry report in the belief that this data base will help increase the quality and improve the accuracy of business decisions throughout the convenience store industry. A total of 136 companies that operate 22,648 store units (approximately 40% of the stores on the NACS membership roster) responded to our request for various types of statistical information. This compares to a sample size of 141 companies and 22,573 stores last year.

We have made some changes to the format of this year's report. In response to the interests of our members for additional information on the "A" size companies, we mailed the extensive questionnaire to the "A" companies to gather the same information collected from the large companies. We have, therefore, included the "A" company information, when available, within the report instead of separating it out as a special section at the end of the report.

In surveys of this type, responding companies differ from year to year, so direct comparability is never entirely possible. But this year, in particular, a different mix of convenience store companies participated in the survey. This shift, in addition to the inclusion of "A" company averages in the overall averages, should be taken into account when examining industry averages. We believe, however, that the conclusions drawn from this survey provide an accurate picture of the state of the convenience store industry and serve as a valid indicator of how the industry has coped with the climate in which it operated throughout 1989.

In addition, all the figures in this report are averages based on the number and size of the companies participating in the survey. In calculating averages, each company's response and specific survey question have been weighted according to the relationship of the company's size to the aggregate size of all reporting companies.

As a result, the sample size of each response presented herein will vary. Past years' data have been presented to the extent that such information was presented last year, or information relating to new questions was available.

Arthur Andersen & Co., long recognized for its expertise in retail food surveys, assembled the data in this report. Arthur Andersen & Co. and NACS feel that the sheer number of responses is highly representative of the state of the industry in 1989 and provides the research reliability desired by NACS Members.

All company responses have been kept confidential by Arthur Andersen & Co.

Table of Participation
NACS Membership and Services Directory as of 12/31/89

Classification	Number of Stores	Number of Members	Number of Stores	Number of Usable Responses	Number of Stores
A	1-10	807	3,453	59	348
B	11-50	388	8,461	33	723
C	51-200	110	10,318	18	2,040
D	201-500	28	8,702	7	2,259
E	Over 500	20	26,669	9	17,278
		1,353	57,603	136	22,648

The National Association of Convenience Stores (NACS)

Founded in 1961, the National Association of Convenience Stores (NACS) is an international non-profit trade association representing more than 1,300 retail members operating convenience stores in the United States and around the world. NACS has become the convenience store industry's national representative in government relations, member training, and educational programs and services.

The mission of NACS is to assist members in increasing their business effectiveness and profitability by: providing needed education, training and an exchange of ideas; encouraging a high level of business ethics and a positive image for the industry; and encouraging governmental action beneficial to the industry through the active participation of its membership.

According to NACS Constitution and Bylaws, the NACS Definition of a Convenience Store is:

> "A convenience store is a retail business with primary emphasis placed on providing the public a convenient location to quickly purchase from a wide array of consumable products (predominantly food or food and gasoline) and services.
>
> "While such operating features are not a required condition of membership, convenience stores have the following characteristics:
>
> "a) While building size may vary significantly, typically, the size will range from 1,500 - 5,000 square feet, with the majority between 2,000-3,000 square feet;
>
> "b) Off-street parking and/or convenient pedestrian access;
>
> "c) Extended hours of operation with the majority open 24 hours, seven days a week; convenience stores typically stock 2,000-3,500 skus.
>
> "d) Product mix includes grocery items, and also includes items from the following groups: dairy, bakery, snack foods, beverages, tobacco, health and beauty aids, and confectionery;
>
> "e) Product mix may also include prepared foods to go, frozen foods, soft drinks, juices, beer and wine (where permitted), meats, deli items, produce, publications, general merchandise, and gasoline; and
>
> "f) The store may offer various services including, but not limited to, automated teller machines (ATMs), check cashing, money orders, movie rentals, lottery tickets, film processing, video games, and event/transportation tickets."

The following chart illustrates the number of convenience stores owned by NACS member companies and the number of convenience stores in the United States over 1,000 square feet in building size.

	Number of Stores Represented by NACS Members	Number of Convenience Stores in Industry*
1985	45,828	61,000
1986	48,869	64,000
1987	53,638	67,500
1988	57,298	69,200
1989	57,603	70,200

*United States, greater than 1,000 square feet.

Nineteen Hundred Eighty-Nine

Overview

In 1989, the United States economy marked its seventh consecutive year of economic growth, the longest peacetime expansion on record and the second longest expansion in U.S. history. Exports reached an all-time high and the United States once again became the world's leading exporter. Moreover, unlike any other expansion since World War II, inflation has been contained, laying a solid foundation for continued strong growth in the 1990s. While the manufacturing sector experienced a slowdown, the farm economy maintained steady improvement and services continued to boom.

Adjusting for the rebound in farm production from the 1988 drought, real (inflation-adjusted) gross national product (GNP) rose 1.9 percent during the year, well below the strong pace of 1987 and 1988.

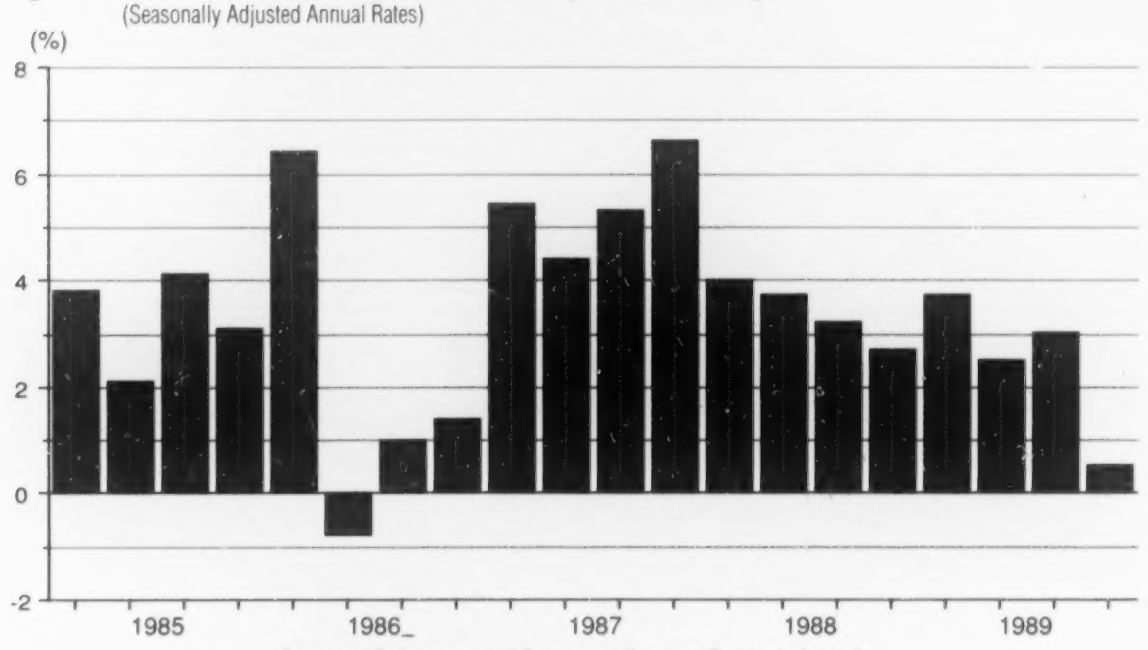
Continued growth in employment and income in 1989 provided new economic opportunities. A substantially better balance between domestic spending and domestic production was achieved. Growth in government purchases slowed, while net exports and business investment grew more rapidly. Both government and household savings rates rose. These patterns have provided a foundation for sustained strong economic growth.

Industrial production and employment increased at a good pace in 1989, but not at the rates of previous years. The slower pace of industrial production, combined with the expansion of productive capacity, reduced rates of capacity utilization in 1989. Overall, the Federal Reserve's measure of capacity utilization, while it still remained high, declined from its peak of 84.3 percent in January 1989 to 83.3 percent by December.

In addition, the farm sector recovered from the effects of the drought in 1988. The 1989 crop year was generally good, though

Figure 1 - Real Gross National Product Quarterly Percent Change

(Seasonally Adjusted Annual Rates)

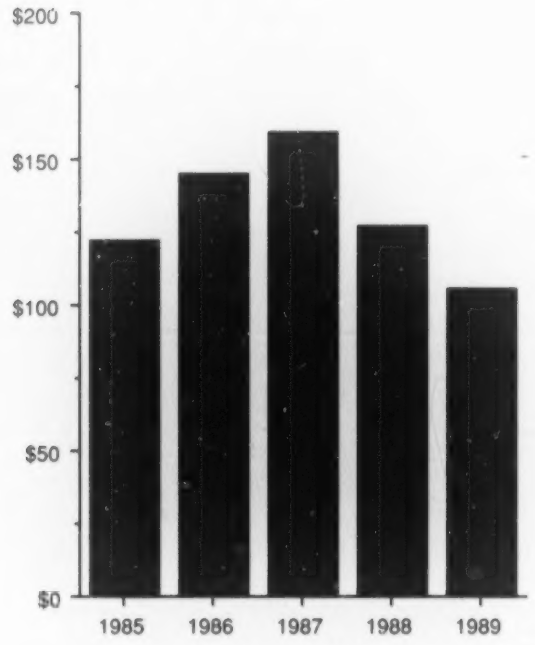


Source: U.S. Department of Commerce, Bureau of Economic Analysis

inadequate rainfall in some areas held crop yields somewhat below trend. Profitability softened somewhat and productivity growth slowed.

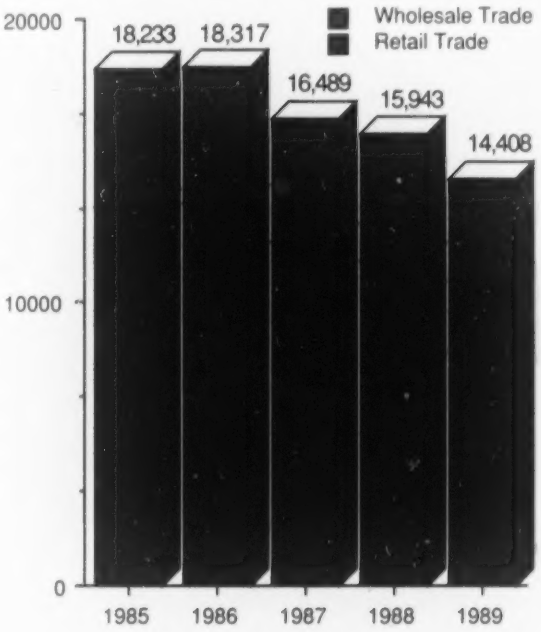
The more moderate expansion of real GNP between the fourth quarter of 1988 and the fourth quarter of 1989 reflected slower growth of interest-sensitive sectors (consumption of durables and residential investment) and of government purchases. In addition, increased national saving contributed to further improvements in net exports and continued growth of business investment even in the face of higher interest rates. These tendencies represent continued progress toward increased national saving and investment, better balance between domestic spending and domestic production, and a foundation for improved performance in the 1990s.

Figure 2 - U.S. Trade Imbalance
(Exports Less Imports)
Billions of Nominal Dollars



Source: Survey of Current Business

Figure 3 - U.S. Business Failures
Retail and Wholesale Trade



Source: Survey of Current Business

Thus, the composition of GNP growth was favorable, with less rapid increases in consumption and government spending, maintained growth of investment spending, and continued improvement in external balances.

Business

Retail trade and wholesale trade business failures combined showed a 9.6 percent decrease in 1989 compared to 1988. Both retail and wholesale trade business failures decreased in 1989, 5.7 percent and 19.5 percent respectively. New business incorporations fell by 1.1 percent, the third year in a row for a decline.

Workers

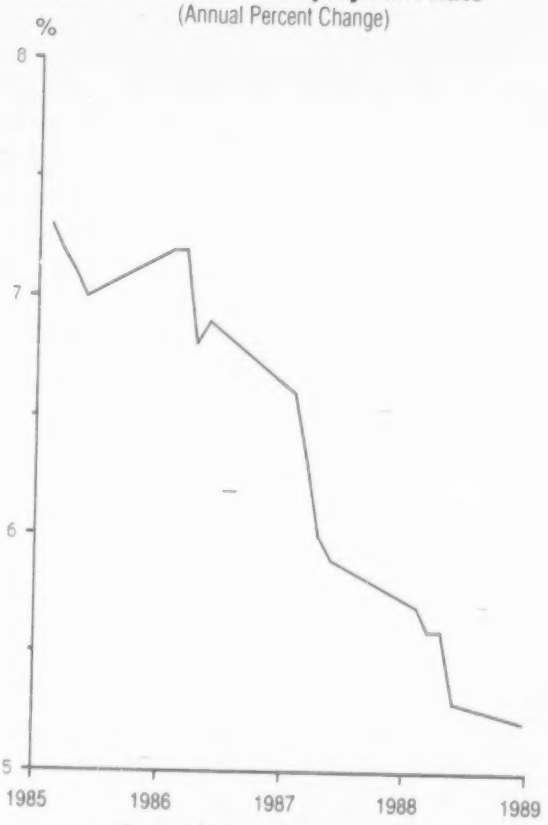
Expanding production was accompanied by rising employment levels and a low unemployment rate. The civilian unemployment rate remained low throughout the year, ending the year at 5.3 percent. The average unemployment rate for 1989, also 5.3 percent, was at its lowest level since 1973.

Output of services grew strongly in 1989, and employment increases totaling about 1.2 million mirrored this growth. Employment also rose in wholesale trade, retail trade, and construction. But manufacturing employment was stagnant, reflecting the weak growth of production.

The employment-to-population ratio for persons over sixteen years of age reached another high--63.0 percent in 1989. Again this year, the stable unemployment rate was aided by the growth of personal income at 8.7 percent while the increase in consumer prices was far below that at 4.8 percent.

Figure 4 - National Unemployment Rate

(Annual Percent Change)



Source: Bureau of Labor Statistics

Figure 5 - Unemployment Rate by State, 1989

Source: Bureau of Labor Statistics

In most economic expansions, rapid growth can occur with increases in employment of those previously unemployed and using existing unemployed resources. There are fewer opportunities now to expand in this way. Increasing productivity will be the source of growth in the 1990s.

Prices

Inflation remained moderate in 1989. The consumer price index rose 4.8 percent in 1989 compared to 4.1 percent in 1988. Consumer food and energy prices rose sharply over the early part of the year, owing to the 1988 drought and to higher oil prices.

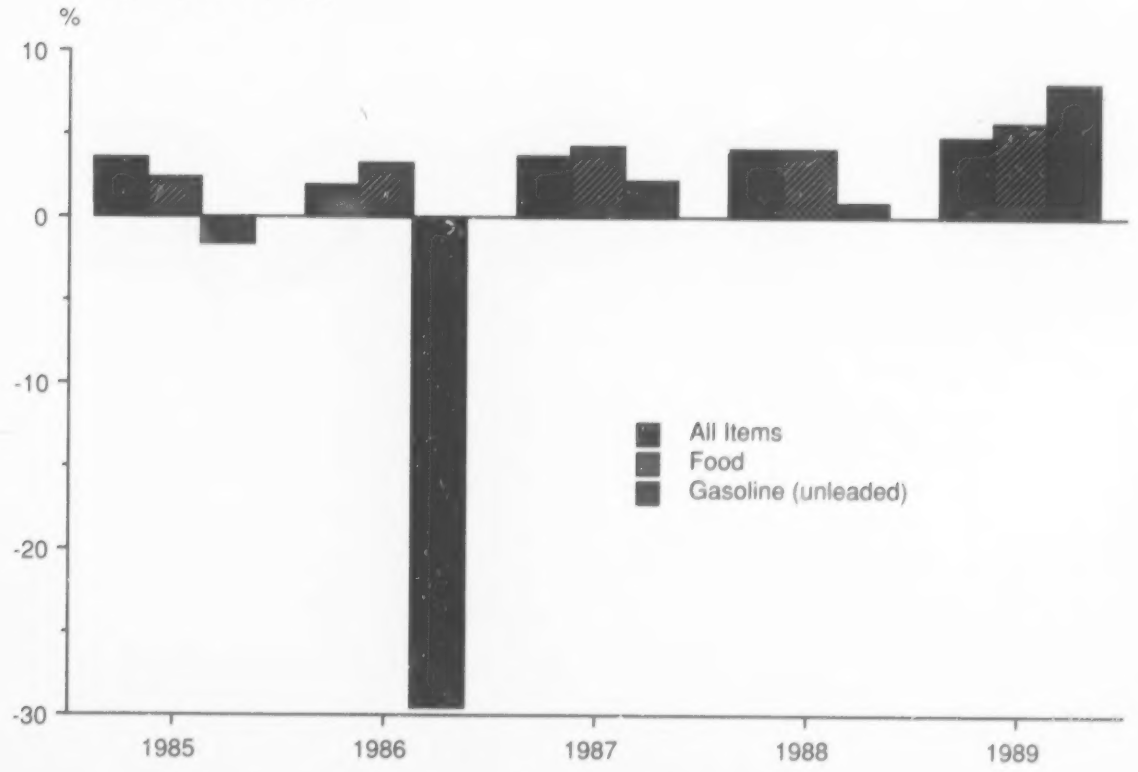
Within the CPI, costs of medical care increased sharply, at 8.5 percent. Prices for shelter, a major part of household budgets, rose more moderately, at 4.9 percent, as did apparel prices.

Food prices were 5.8 percent over 1988 levels. The cold weather damaged crops in the South, causing a rise in the food component. Energy prices increased 1.4 percent in December, and 5.6 percent for the year; the deep freeze over much of the nation in December resulted in an increase in home heating fuel prices. Gasoline prices were up 9.2 percent while natural gas had a more moderate increase of 3.5 percent.

The "core" CPI--a measure that excludes volatile food and energy prices--rose 4.5 percent, compared with 4.4 percent in 1988. These price increases are below the 8.7 percent increase in personal income.

Figure 6 - Inflation (Deflation) Rate

(Annual Percent Change)



Source: Consumer Price Index

Finance

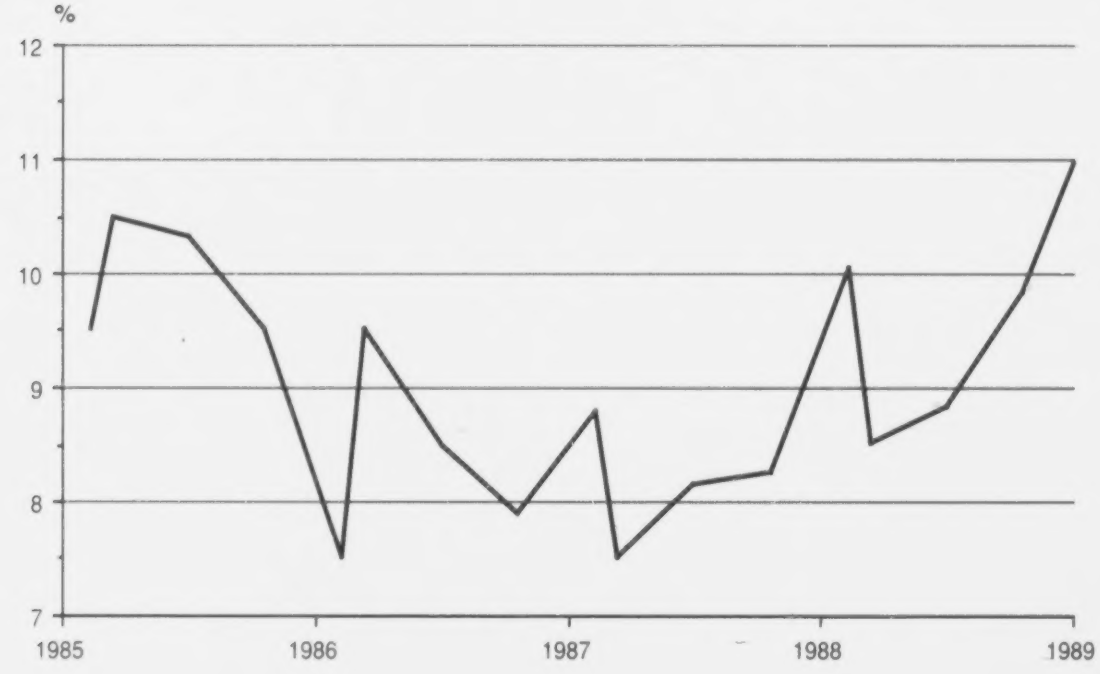
The prime rate charged by banks, after reaching a peak of 10.5 percent at the end of 1988, remained at or slightly above this rate during 1989. The annualized prime rate was 10.9 percent, again well above the 9.3 percent level of 1988. Accordingly, the real interest rate (adjusted for the rate of inflation and inflation expectations) was also higher. Housing investment declined in 1989 as higher mortgage interest rates reduced demand.

Non-residential fixed investment--investment by firms in structures and equipment --is an important determinant of economic performance. Real non-residential fixed investment rose a solid 4.3 percent in 1989. The increase was spurred by the relatively high levels of capacity utilization and the need for firms to enhance their productivity in an increasingly competitive world economy.

The rise in fixed investment was entirely in equipment rather than in structures. Computer purchases were particularly robust, rebounding from a lull late in 1988. Overall, producers durable equipment spending rose 5.7 percent.

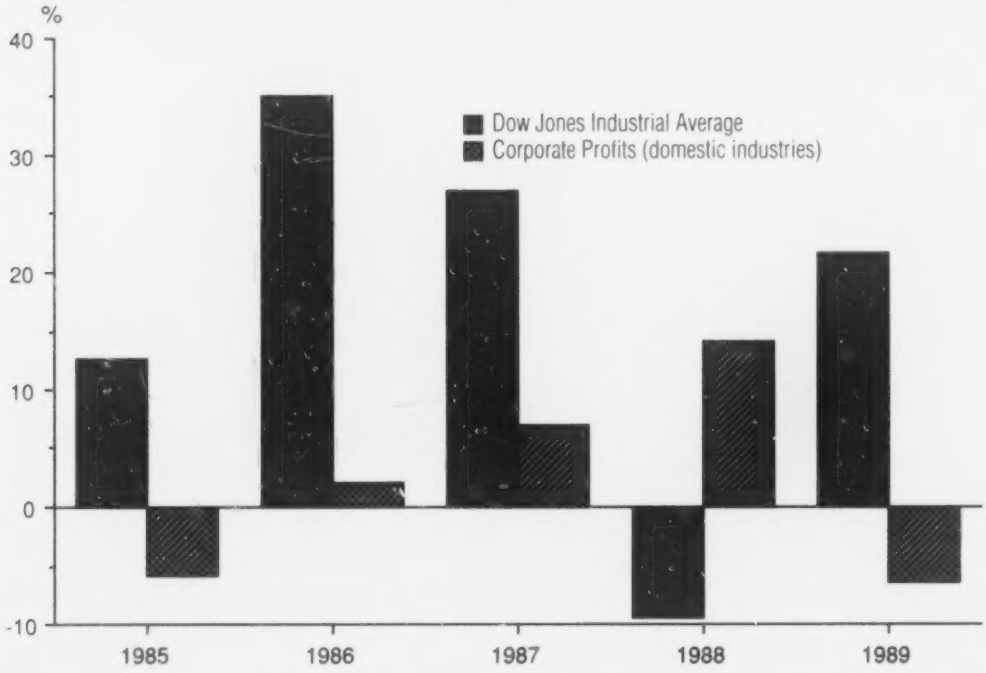
Spending on most categories of structures was weak. Construction earlier in the 1980s may have been boosted by accelerated depreciation allowances, which were reduced by the Tax Reform Act of 1986. In addition, while energy prices rose temporarily during late 1988 and early 1989, lower average energy prices since the mid-1980s have contributed to the sluggishness in oil and gas well drilling.

Figure 7 - Annualized Prime Rate Charged by Banks



Source: Survey of Current Business

Figure 8 - Annual Percent Change: Dow Jones Industrial Average, Corporate Profits



Source: Dow Jones, Federal Reserve

Corporate bond yields, AAA rating, fell 4.6 percent. The Dow Jones Industrial Average was up 21.7 percent. In the financial sector, corporate profits for domestic industries fell 6.4 percent. Profits in 1989 were hurt by the effects of natural disasters on insurance company balance sheets.

Consumers

Total personal consumption expenditures rose 7.3 percent during 1989 which was lower than the increase in disposable personal income, and below the 4.8 percent increase in consumer prices. Because consumption expenditures constitute about two-thirds of GNP, changes in consumption are important influences on GNP growth.

The less rapid rise in personal outlays was reflected as an increase in the savings rate compared to 1988. The personal savings rate was 5.5 percent versus the 1988 level of 4.2 percent, up 1.3 percentage points.

The slower growth of overall consumption purchases reflected continued strength in expenditures on services but weaker growth in purchases of durable and nondurable goods. Among services, real purchases of medical care continued to increase at a particularly strong pace. The weakness in purchases of durables largely reflected sluggish automobile sales. In the third quarter, auto sales jumped owing to the sales incentive programs introduced toward the end of the 1989 model year. For the year as a whole, auto sales fell from about 10.6 million units in 1988 to about 9.9 million units in 1989--the slowest rate since 1983.

Consumer credit outstanding increased 8.7 percent during 1989 which is above the 8.5 percent increase of 1988. Real personal consumption expenditures increased 2.7 percent in 1989.

Sales

Retail sales for the year rose 5.1 percent, a seven-year low, barely outpacing inflation. Some believe consumers have spent all they have to spend, given that the consumer debt-to-disposable income ratio is high.

Durable goods sales were up slightly at 2.9 percent, compared to 6.9 percent for 1988. This was affected by spending on automobiles. Consumer spending on motor vehicles was up only 1.6 percent. Some maintain there is significant over capacity in the automotive industry that may require plant closings rather than the current temporary shutdowns.

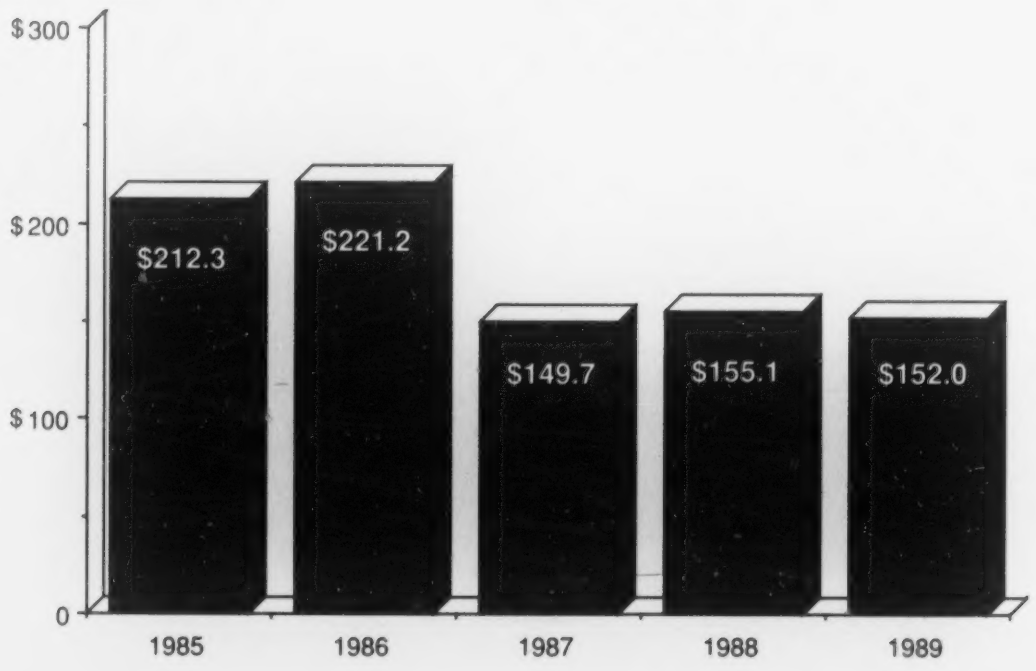
Non-durable goods sales increased 6.4 percent, with grocery sales up 7.0 percent. This is slightly below the 7.2 percent increase in nominal gross national product. Gasoline service station sales dollars were 6.3 percent above 1988.

Change

Nineteen eighty-nine ended a decade of debt-heavy takeovers, leveraged buyouts, and financial deregulation. As a nation, the United States went from the largest creditor nation to the largest debtor nation in the 1980s.

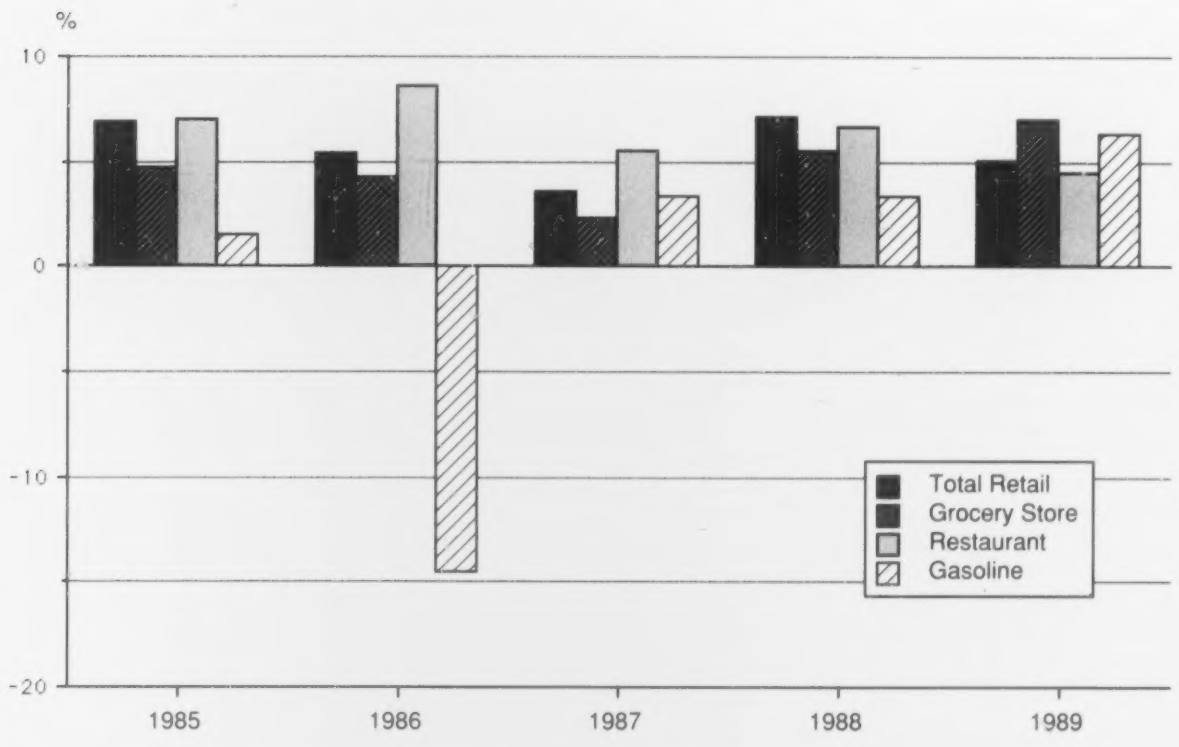
In the retailing sector, buyouts and mergers lead to distress and even bankruptcy for some. At a time when they would have liked to use additional cash flow to change strategies to compete with oil companies, supermarkets, drug stores, and other convenience stores, many convenience store

Figure 9 - Federal Government Budget Deficit
(Billions of Dollars)



Source: Budget of the United States Government, Fiscal Year 1989

Figure 10 - Annual Percentage Change in Retail Sales



companies were impacted by high interest rates and depreciation costs.

In addition, increasing attention has been focused on the environment and biodegradable products. Recycling of paper and glass is actually happening instead of just being discussed. Changes to conform to environmental regulations add to the cost of running a convenience store.

In this new decade, there is still time to examine where we have been and adjust the course for where we will go. In the next few years, executives will keep an eye on the competition vying for the convenience store customer and compete for workers in the shrinking labor pool. It is increasingly important to understand the trends in the industry as consumer shopping patterns change, as profit margins get thinner for some companies, and as the race for market share intensifies.

More than ever before, it will be important to have a standard by which to compare one's own operating results. It is important to find opportunities for holding onto and even expanding one's own market niche and keep customers coming back. *The State of the Convenience Store Industry Report* is an excellent source of information on the new, emerging trends and the unique characteristics of the convenience store industry.

Industry Sales and Profits

The convenience store industry's profits dropped significantly during 1989. Total industry profits dropped from $1,163 million in 1988 to $271 million in 1989. All company size groups reported profit declines, but, the primary impact on industry profits came from the largest firms. Several large companies reported substantial pretax losses primarily due to large interest payments resulting from financial restructuring, acquisitions, and leveraged buy-outs.

The bright spot in the industry picture is that sales growth continued. Total industry sales were $67.7 billion up 10.6 percent from 1988. Most of the sales gain came from gasoline sales which climbed over 20 percent as more stores were selling gasoline. The average gallonage was up and average price per gallon sold in 1989 was 9 percent higher than 1988.

Total merchandise sales also showed a gain--up 3.6 percent from 1988 to $40.6 billion. Most of this gain came from an increase in average store sales as the total number of convenience stores increased by only 1.5 percent in 1989.

The industry's 70,200 stores supported employment for 477,000 people, down from the total employment number in 1988. This number includes full-time and part-time store employees, supervisory personnel, and corporate headquarters. A major reason for fewer total employees was that reporting companies used more full-time instead of part-time store employees in 1989.

Figure 11 - Total Convenience Store Industry Sales (Billions of Dollars/Percent Change)

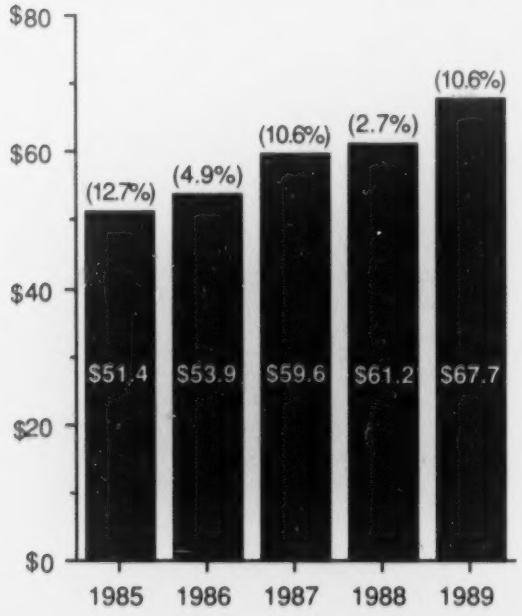


Figure 12 - Total Merchandise vs. Gasoline Sales

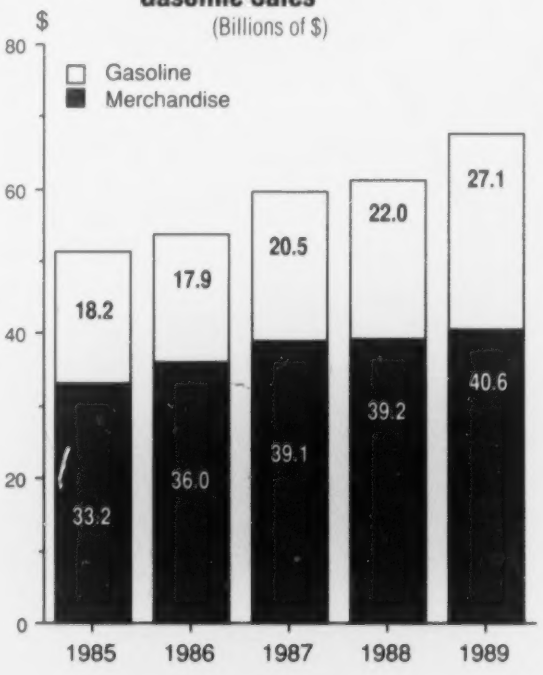
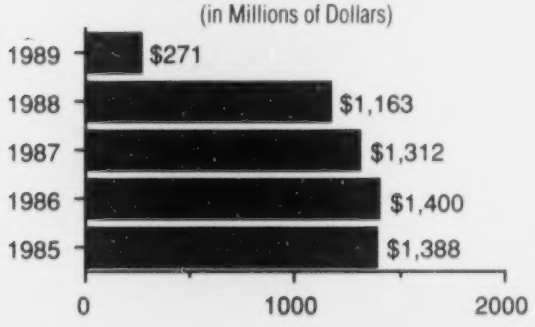


Figure 13 - Total Convenience Store Industry Profit Before Taxes

(in Millions of Dollars)



SALES AND PROFITS PER STORE

Profits per store dropped dramatically in 1989. Average store pretax profits were only $3,900 in 1989, down from $16,800 in 1988. This profit drop was fueled by substantial interest expenses paid by the larger companies. In fact, on average, the largest (D and E size) firms showed pretax losses for 1989. The smaller firms showed an average profit, albeit lower than 1988.

Sales per store increased in 1989. Annual merchandise sales averaged $578,000 per store in 1989, compared to $567,000 in 1988. Gasoline revenues per store increased to $595,000 in 1989 from $539,000 in 1988. Most of the sales gain was due to higher gasoline prices in 1989.

Gasoline margins averaged 11.7 percent which is comparable to 1988's 11.5 percent. Merchandise margins, however, showed a substantial drop from 36.4 percent in 1988 versus 32.1 percent in 1989. The 1989 margin is comparable to the industry merchandise margin reported in 1985. Competition undoubtedly put pressure on margins; however, a major reason for the margin drop was increased participation in the survey by oil companies. Stores operated by oil-based firms traditionally have a store sales mix that emphasizes some lower margin product categories such as tobacco.

Another reason for the lower margin was that the A company averages were included in the total industry averages for the first time in 1989. Prior to 1989, A companies completed a short version of the questionnaire and, therefore, did not report as much information as the B, C, D, and E size companies. For 1989, however, the state of the industry questionnaire was redesigned and streamlined and all companies, regardless of size, reported the same information.

Figure 14 - Comparative Profit and Loss Information (1988 and 1989)
(As a Percent of Total Sales by Classification Group)

	A		B		C		D		E		Average	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
Merchandise Sales	N/A	35.1%	36.0%	35.5%	46.0%	47.0%	54.0%	42.8%	71.0%	63.8%	61.0%	48.9%
Gasoline Sales	N/A	64.9	64.0	64.5	54.0	53.0	46.0	57.2	29.0	36.2	39.0	51.1
Total Sales	N/A	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	N/A	81.9	81.4	82.3	78.7	78.7	77.6	79.8	73.4	74.0	73.8	78.2
Gross Profit	N/A	18.1	18.6	17.7	21.3	21.3	22.4	20.2	26.6	26.0	26.2	21.8
Direct Store Operating Expense	N/A	14.2	13.6	14.4	16.5	16.6	16.8	15.4	20.2	20.7	19.9	17.2
Store Operating Profit	N/A	3.9	5.0	3.3	4.8	4.7	5.6	4.8	6.4	5.3	6.3	4.6
Corporate G&A	N/A	(3.0)	(3.6)	(3.1)	(3.4)	(2.9)	(3.2)	(3.2)	(3.9)	(3.1)	(3.9)	(3.1)
Interest Expense	N/A	(0.5)	N/A	(.3)	N/A	(0.9)	N/A	(2.1)	N/A	(4.2)	N/A	(2.0)
Other Income	N/A	1.1	.8	1.3	1.3	1.4	.7	1.0	1.9	1.0	1.8	1.2
Other Expense	N/A	(0.1)	(0.4)	(0.1)	(0.5)	(0.4)	(0.4)	(0.8)	(2.5)	(0.1)	(2.3)	(0.3)
Pretax Profit	N/A	1.4%	1.8%	1.1%	2.2%	1.9%	2.7%	(0.4)%	1.8%	(1.1)%	1.9%	0.4%

Average sale per customer showed a big jump in 1989, increasing to $2.29 compared to $1.83 in 1988. The largest gains were among the larger (D and E size) companies. Part of this apparent gain is probably due to a different sample of companies reporting in 1989.

Average merchandise sale per week per square foot was $4.68 in 1989, up from $3.46 reported in 1988.

Figure 15 - Pretax Profit as a Percent of Total Sales by Classification Group

Group	1987	1988	1989
A	2.3%	1.8%	1.4%
B	2.9	1.8	1.1
C	2.5	2.2	1.9
D	1.7	2.7	(0.4)
E	2.4	1.8	(1.1)
Average	**2.2%**	**1.9%**	**0.4%**

Figure 16 - Profit Before Taxes Per Store
(In Thousands of Dollars)

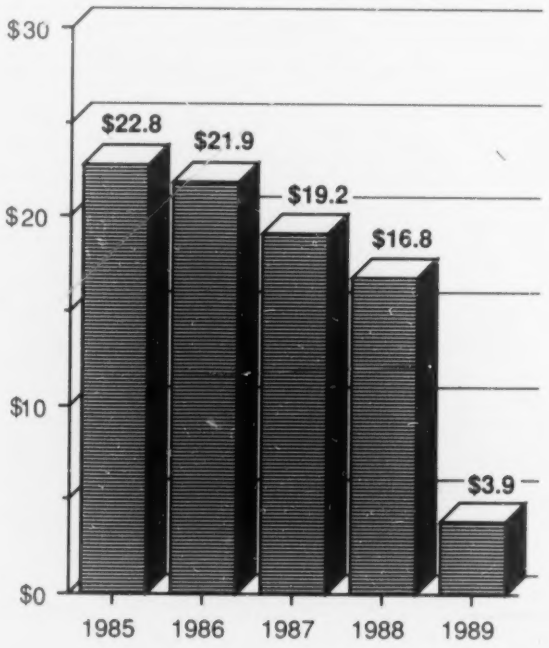


Figure 17 - Gross Profit Margin as a Percent of Sales

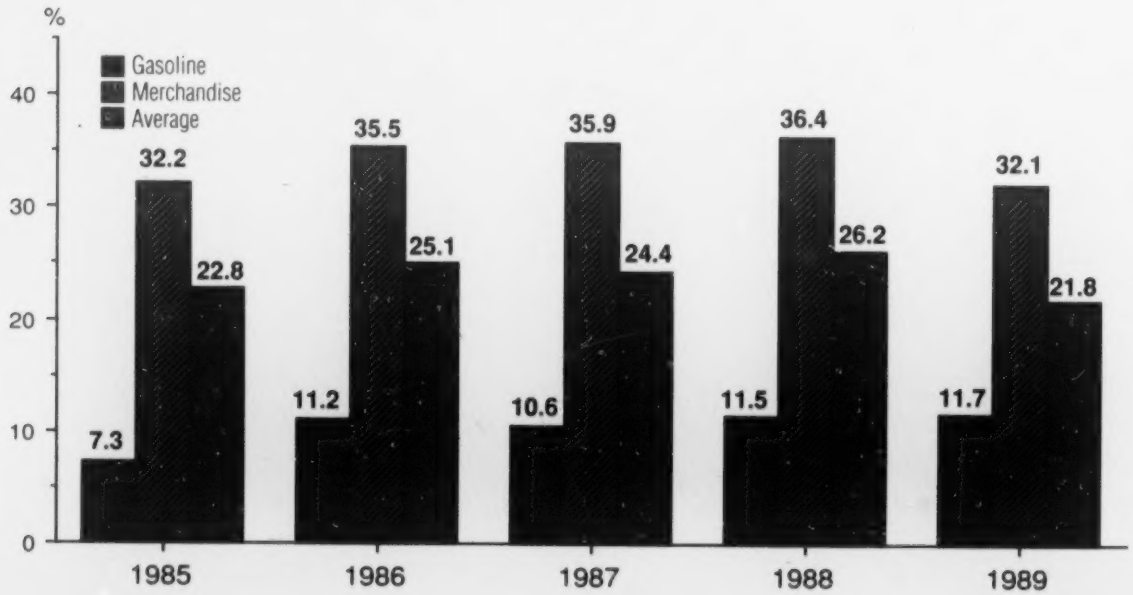


Figure 18 - Average Yearly Merchandise Sales Per Store by Classification Group

Group	1987	1988	1989
A	$380,000	$475,000	$426,000
B	371,000	403,000	401,000
C	450,000	442,000	509,000
D	496,000	587,000	400,000
E	624,000	590,000	615,000
Average	**$579,000**	**$567,000**	**$578,000**

Figure 19 - Average Weekly Merchandise Sales Per Store by Classification Group

Group	1987	1988	1989
A	$7,308	$9,135	$8,192
B	7,130	7,743	7,712
C	8,660	8,494	9,788
D	9,540	11,281	7,692
E	12,000	11,354	11,827
Average	**$11,140**	**$10,918**	**$11,115**

Figure 20 - Average Merchandise Sales Per Week Per Square Foot by Classification Group

Group	1987	1988	1989
A	N/A	N/A	$4.37
B	$3.68	$3.57	3.43
C	3.56	3.94	4.29
D	3.60	4.44	3.38
E	4.37	3.00	4.90
Average	**$3.76**	**$3.46**	**$4.68**

Figure 21 - Average Yearly Merchandise Sales Per Store

(In Thousands of Dollars/Percent Change)

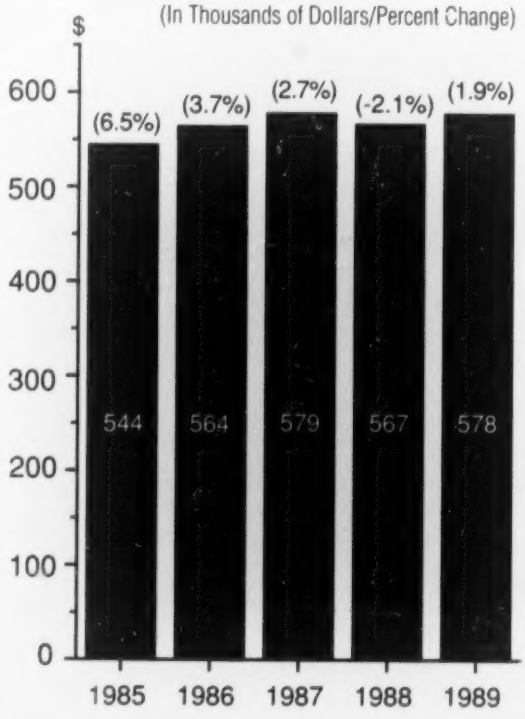


Figure 22 - Average Merchandise Customers Per Week Per Store by Classification Group

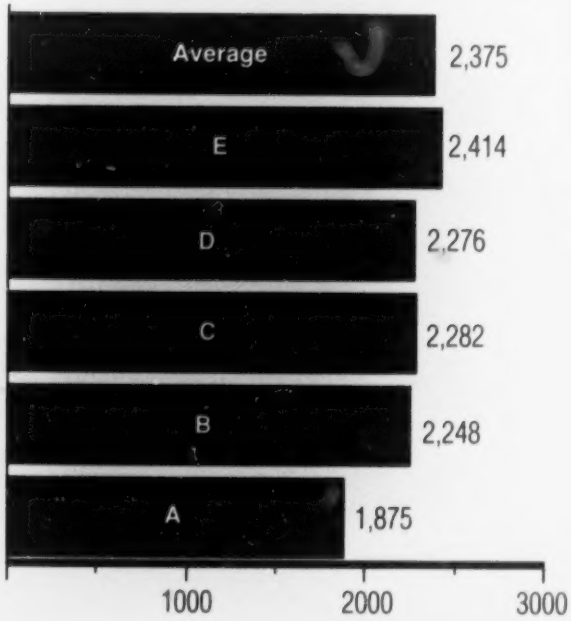


Figure 23 - Average Merchandise Sale Per Customer by Classification Group

Group	1987	1988	1989
A	N/A	N/A	$2.23
B	$2.37	$2.19	2.09
C	1.96	1.96	2.10
D	2.27	2.04	2.45
E	1.93	1.69	2.30
Average	**$2.03**	**$1.83**	**$2.29**

FINANCIAL ANALYSIS

Presented for the first time last year was balance sheet information for the convenience store industry. Figure 24 presents the current year (1989) balance sheet information, together with the ratio of sales to assets, pretax return on assets and net worth and the ratio of accounts payable to inventory.

Similar to last year, approximately 13 percent of a company's assets are in inventory. The smaller the company, the larger the share of assets accounted for by inventory. Group "E" Companies reported only 7.5 percent of assets in inventory, down from 11.9 percent in 1988.

Property, plant and equipment account for about 56 percent of industry assets, compared to 50.7 percent in 1988. This percent ranges from 44.2 percent for Group "E" Companies to 65.5 percent for Group "C" Companies. Other assets comprise 20.2

Figure 24 - Balance Sheet Information

	A	B	C	D	E	Average
Current Assets:						
Inventory	16.0%	16.1%	15.8%	12.5%	7.5%	12.6%
Other Current Assets	18.2%	15.7%	13.0%	10.8%	5.8%	11.2%
Total Current Assets	34.2%	31.8%	28.8%	23.3%	13.3%	23.8%
Net Property, Plant & Equipment	58.6%	58.4%	65.5%	63.8%	44.2%	56.0%
Other Assets	7.2%	9.8%	5.7%	12.9%	42.5%	20.2%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Current Liabilities:						
Accounts Payable	21.4%	17.0%	13.8%	15.4%	21.6%	18.0%
Other Current Liabilities	9.4%	16.0%	13.2%	24.9%	6.6%	12.7%
Total Current Liabilities	30.8%	33.0%	27.0%	40.3%	28.2%	30.7%
Long-Term Debt	36.6%	26.1%	27.1%	35.7%	72.1%	44.2%
Other Long-Term Liabilities	0.7%	6.6%	7.0%	4.8%	8.0%	6.5%
Net Worth	31.9%	34.3%	38.9%	19.2%	(8.3)%	18.6%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales to Assets	4.7%	5.0%	4.8%	3.1%	1.8%	3.6%
Pretax Return on Assets	8.1%	7.7%	9.0%	(1.1)%	(3.8)%	3.0%
Pretax Return on Net Worth	35.8%	31.3%	27.7%	(10.5)%	*	*
Accounts Payable to Inventory	1.3%	1.1%	0.9%	1.2%	2.9%	1.7%

*The negative net worth of group "E" Companies resulted in a meaningless return on net worth ratio .

percent of industry assets, but the Group "E" Companies report other assets at 42.5 percent of total assets.

On the liabilities side of the ledger, accounts payable increased from 13.9 percent to 18.0 percent in 1989. Consistent with last year, the ratio of accounts payable to inventory is about 1 to 1 for all sizes of companies, except Group "E" Companies which reported 2.9 to 1. Long-term debt ranges from a low of 26.1 percent to a high of 36.6 percent for all companies, excluding Group "E" Companies which reported that such debt accounted for 72.1 percent of assets (59.6 percent in 1988). Interest expense on this debt has had a major impact on the profitability of the Group "E" Companies and of the overall industry.

Net worth as a percent of assets dropped sharply for the Group "D" and "E" Companies. The Group "D" Companies reported 19.2 percent compared to 30.9 percent in 1988 and the Group "E" Companies reported negative net worth of 8.3 percent compared to positive net worth of 9.9 percent in 1988

The pretax return on assets was 7.7 percent for the Group "B" Companies, the same as last year, and 9.0 percent for the Group "C" Companies compared to 4.0 percent last year. For both the Group "B" and "C" Companies, the pretax return on net worth increased approximately 3 percent over 1988.

The overall results for the Group "A" Companies were in line with the data presented by the Group "B" and "C" Companies.

HUMAN RESOURCES

During 1989, the industry had an average of 6.8 employees per store--5.9 store employees and .9 non-store employees per store. This represents a slight decrease from 7.2 employees per store in 1988.

About 72.7 percent of all store employees work full time, up from 68 percent in 1988. The Group "E" Companies have a larger percent (77.8) of full time store personnel than do the Group "A" (58.9 percent), Group "B" (63.1 percent), Group "C" (48.1 percent) and Group "D" (77.3 percent) Companies. Fifty-eight percent of people working in convenience stores are women, down from 63 percent in 1988. All size groups report more women than men working in their stores.

The industry's reliance on younger people (under age 25) increased to 33 percent of the work force from 27 percent in 1988. Although there was a decrease from 12 percent to 7 percent in the "Over Age 54" Category in 1989, the industry continues to tap the older workers.

Figure 25 - Store Employee Characteristics, Percent of All Store Employees

	A	B	C	D	E	Average
Full time	58.9%	63.1%	48.1%	77.3%	77.8%	72.7%
Part time	41.1	36.9	51.9	22.7	22.2	27.3
Male	27.6	31.5	34.0	39.2	44.0	42.0
Female	72.4	68.5	66.0	60.8	56.0	58.0
Under Age 20	9.5	9.5	14.3	7.2	9.5	9.7
Age 20-24	31.3	31.9	27.2	23.8	21.8	22.9
Age 25-54	52.9	49.7	51.5	60.4	61.6	60.0
Over Age 54	6.2	8.9	7.1	8.6	7.2	7.3

Store Development

The rate of store growth continued to slow in 1989 to a net increase of 1.5 percent with the total number of stores in the industry increasing by only 1,000 stores to 70,200. The decline in store growth is due to store closings, excluding stores sold, of almost 2.6 percent in 1989, while the rate of new stores opened declined to 4.1 percent.

The continued increase in the investment required for new stores contributed to the decline in new store openings.

As we saw in the Sales and Profits Per Store section of this report, store profitability continued to decline. Although we do not have a breakdown of store sales between new stores and existing stores, it is clearly evident that annual sales and profits for new stores will need to exceed the averages for existing stores by a sizable amount to insure the recovery of the substantial investment required for a new store, as shown in Figure 27. With the decrease in profitability, the industry must not only achieve substantial increases in new store sales but must also improve productivity and profitability in order for new stores to generate an adequate return on investment.

The average investment in a new urban store increased by 18.8 percent over 1988 with rural stores increasing by 7.3 percent. The average cost of land for new rural stores increased to $179,500 from $148,000 in 1988. The average investment required for land for new urban stores increased to $375,300 from $350,000 in 1988. The high cost of land for new stores reflects the

Figure 26 - Store Growth Analysis

	1985	1986	1987	1988	1989
New Stores Opened	8.0%	6.4%	6.4%	5.4%	4.1%
Acquired Stores	3.6%	2.6%	2.7%	7.0%	2.8%
	11.6%	9.0%	9.1%	12.4%	6.9%
Stores Sold or Closed	(5.1%)	(4.4%)	(3.7%)	(9.9%)	(5.4)%
Net Increase in Stores	6.5%	4.6%	5.4%	2.5%	1.5%
Actual Number of Stores (000s)	61.0	64.0	67.5	69.2	70.2

Figure 27 - Investment Per New Store

	1985		1986		1987		1988		1989	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Land	$212,800	$110,800	$275,400	$141,500	$226,000	$156,900	$350,500	$148,000	$375,300	$179,500
Building	180,000	118,900	158,300	141,500	181,300	152,800	199,100	156,500	278,200	183,200
Equipment										
Fast Food	19,000	16,200	19,900	18,500	22,100	17,700	21,900	17,100	33,900	23 100
Gas	65,700	73,700	88,000	89,500	84,900	85,300	84,500	95,200	118,300	103,900
Merchandise	63,300	48,100	68,300	55,300	64,500	51,500	65,600	62,500	51,700	38,000
Total Equipment	148,000	138,000	176,400	163,300	171,500	154,500	172,000	174,800	203,900	165,000
Inventory	56,900	43,100	58,600	50,100	64,000	53,200	51,600	53,400	61,300	43,800
Total Investment	$597,700	$410,800	$668,600	$496,400	$682,800	$517,400	$773,300	$532,700	$918,700	$571,500

increasingly competitive environment for a declining number of choice urban sites which can yield the sales volume necessary for an expensive, new store to generate an acceptable return on investment.

Building costs increased for both urban and rural stores. As in 1988, building costs are rising faster for urban stores than rural stores.

The average monthly rent increased significantly for existing stores. The rent for a new store remained constant at $4,210.

Approximately 26 percent of total stores are owned and 74 percent are leased. For new stores, approximately 34 percent are owned and 66 percent are leased compared to 47 percent and 53 percent in 1988.

There is a trend toward remodeling existing stores which is influenced by the aging of existing stores, changes in the mix of product offerings, and the significant investment required for new stores. In 1989, the average remodeling cost per store was $94,000 and approximately 2.4 percent of existing stores were remodeled. The survey respondents indicated that the average frequency of remodeling is every nine years.

Equipment costs increased from an average of $172,000 to $203,900 for new urban stores with the most significant increase in gas equipment and a decline in the average investment in merchandise equipment. For rural stores there was a decline in the average investment in equipment.

Figure 28 shows that the majority of stores--72 percent--have between 2,000 and 3,000 square feet with only 6 percent of stores having less than 1,000 square feet. The average square footage of a new, rural store was 2,400 square feet while new, urban stores averaged 2,600 square feet compared to 2,377 square feet for all existing stores.

Figure 28 - Store Square Footage, 1989

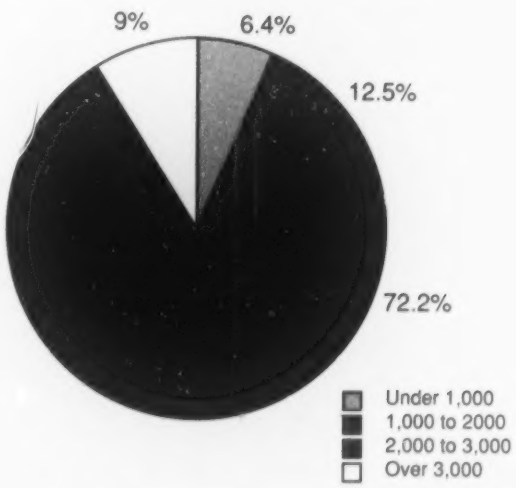


Figure 29 - Average Monthly Rent for New and Existing Stores

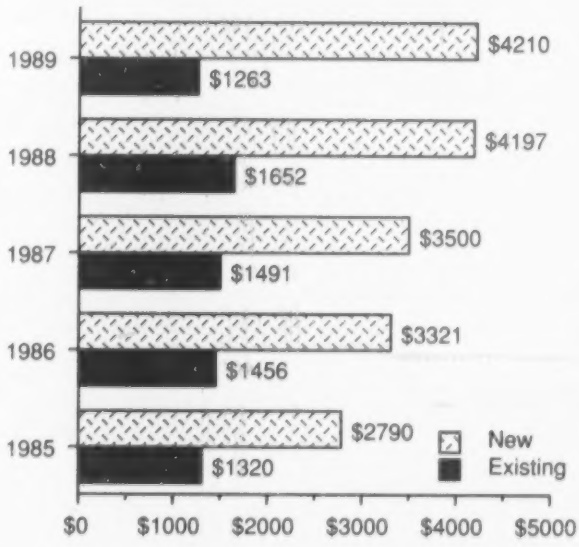


Figure 30 - Average Store Size by Classification Group

Group	Square Feet
A	1,873
B	2,243
C	2,284
D	2,279
E	2,414
Average	**2,377**

Business Costs

In 1989, store operating profits declined and pretax profits continued to decline. This section highlights the major business expense categories. Figure 33 presents the summary of selected expense items as a percentage of merchandise and total sales. Because of the change in the mix of sales this year being weighted more heavily toward gasoline sales as a percent of total sales, expenses reported as a percentage of total sales have generally declined compared to prior years. For the first time in the past several years, labor as a percentage of both merchandise and total sales has declined sharply to 12.2 percent of merchandise sales and 7.5 percent of total sales.

Interest expense continued to remain near the levels reached in 1988. During the last two years, interest costs have become a major cost factor affecting profitability as a result of the financing costs required for new store development and mergers and acquisitions.

As shown in Figure 31, the average monthly utility costs per store increased to $1,400 in 1989 from $1,273 in 1988. As a percentage of merchandise and total sales, utility costs were 2.8 percent and 1.7 percent in 1989 compared to 3.7 percent and 2.2 percent in 1988, respectively. As shown in Figure 32, general and administrative expenses as a percentage of merchandise sales decreased to 6.3 percent in 1989 compared to 7.5 percent in 1988. As a percentage of total sales, these expenses were 3.1 percent in 1989 compared to 4.2 percent in 1988.

Advertising expenses as a percentage of merchandise sales increased to .9 percent in 1989 compared to .4 percent in 1988.

Labor continues to represent the largest single business expense and the ability to

Figure 31 - Average Monthly Utility Costs Per Store

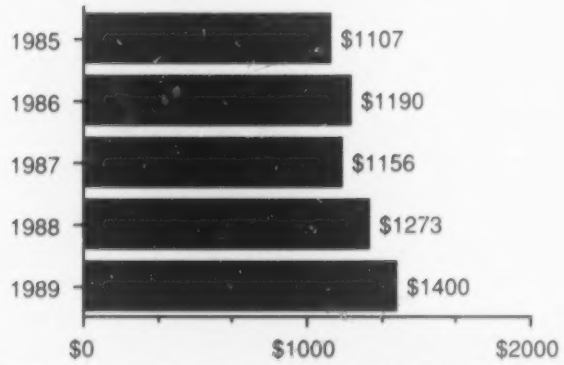


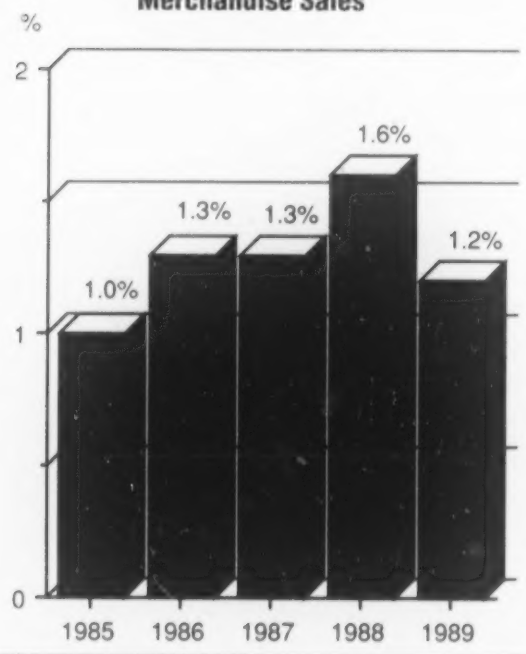
Figure 32 - General and Administrative Expenses by Classification Group

	As a Percentage of Merchandise Sales			As a Percentage of Total Sales		
Group	1987	1988	1989	1987	1988	1989
A	10.4%	9.8%	8.5%	3.7%	4.0%	3.0%
B	8.0	10.3	8.7	3.2	3.6	3.1
C	6.8	7.7	6.2	3.7	3.7	2.9
D	7.9	6.3	7.7	4.2	4.3	3.3
E	7.8	7.2	4.9	4.4	4.4	3.1
Average	**7.7%**	**7.5%**	**6.3%**	**4.2%**	**4.2%**	**3.1%**

Figure 33 - Selected Expense Profile as a Percentage of Merchandise and Total Sales

	Merchandise					Total				
	1985	1986	1987	1988	1989	1985	1986	1987	1988	1989
Labor	12.6%	13.8%	13.7%	15.9%	12.2%	8.0%	8.2%	7.9%	9.3%	7.5%
Utility	3.1	3.2	3.3	3.7	2.8	1.9	2.2	1.9	2.2	1.7
Advertising	.6	.6	.5	.4	.9	.4	.4	.3	.3	.6
Interest	1.2	1.8	2.2	4.2	4.1	.8	1.2	1.3	2.3	2.0

Figure 34 - Merchandise Inventory Shrink as a Percentage of Merchandise Sales



control labor expense is crucial to cost control. As shown in Figure 33, labor cost declined to 12.2 percent of merchandise sales in 1989 compared to 15.9 percent in 1988 and 7.5 percent of total sales compared to 9.3 percent in 1988. However, labor costs were higher for all Group Companies, except "E." For "A" category stores, labor expenses were 19.2 percent of merchandise sales and 8.2 percent of total sales; for "B" category stores, labor was 19.0 percent of merchandise sales and 8.2 percent of total sales; for "C" category stores, labor costs were 18.1 percent of merchandise sales and 10.8 percent of total sales; for "D" category stores, labor costs were 18.8 percent of merchandise sales and 8.6 percent of total sales; and for "E" category stores, labor costs were 11.0 percent of merchandise sales and 7.0 percent of total sales.

Merchandise inventory shrinkage for the industry was 1.2 percent of merchandise sales in 1989 compared to 1.6 percent in 1988. Group "A" Companies reported inventory shrinkage of 1.9 percent compared to 1.4 percent in 1988; Group "B" Companies reported 1.4 percent compared to 1.2 percent in 1988; Group "C" Companies reported 1.2 percent compared to 1.0 percent in 1988; Group "D" Companies reported 1.1 percent compared to 1.2 percent in 1988; and Group "E" Companies reported 1.1 percent compared to 1.8 percent in 1988.

Insurance and taxes continued to increase in 1989. The industry average for insurance and taxes was $9,700 in 1989 compared to $8,000 in 1988. This increase was significantly affected by the increase in Group "E" Companies to $10,300 from $8,600, with all groups except Group "D" reporting an increase.

The industry average for depreciation and equipment rent increased significantly to $23,400 from $16,000 in 1988 as a result of the increase reported by Group "E" Companies to $26,100 from $16,200 in 1988. This increase is largely attributable to acquisitions and the related allocation of purchase price for several large companies.

Figure 35 - Fixed Store Expenses by Classification Group

	Insurance and Taxes			Depreciation and Equipment Rent		
	1987	1988	1989	1987	1988	1989
Group						
A	N/A	N/A	$8,500	N/A	N/A	$17,200
B	$6,900	$6,800	7,200	$15,500	$15,000	13,100
C	7,200	7,400	7,900	14,400	16,400	15,700
D	6,700	7,100	6,300	14,800	15,100	12,500
E	9,200	8,600	10,300	14,700	16,200	26,100
Average	**$8,200**	**$8,000**	**$9,700**	**$14,800**	**$16,000**	**$23,400**

INFLATION AND LIFO

Consumer Price Index

The inflation rate continued to increase during 1989 to 5.2 percent from 4.1 percent in 1988, and 3.7 percent in 1987.

Figure 36 compares the overall rate by quarters as measured by the Consumer Price Index (CPI). The index assumes a typical market basket of goods and services purchased by consumers.

The CPI inflation rate is heavily influenced by energy prices, home mortgage rates and other factors that are not part of the convenience store inflation rate, which is based on changes in inventory prices.

During 1989, the average price of convenience store merchandise products increased 3.7 percent and gasoline increased 2.6 percent from 1988. The convenience store merchandise inflation rate is less than the 1989 CPI inflation rate of 6.7 percent for food products in general in 1989.

Figure 36 - Consumer Price Index "Cost of Living" Increases

	1985	1986	1987	1988	1989
1st Quarter	4.3%	(1.7%)	8.0%	3.8%	6.1%
2nd Quarter	4.4	2.3	2.8	6.8	5.3
3rd Quarter	2.7	2.8	6.1	4.5	2.3
4th Quarter	3.6	1.1	0.5	2.2	4.9
Average for Year	3.6%	1.9%	3.7%	4.1%	5.2%

Source: Bureau of Labor Statistics

LIFO

LIFO is an inventory costing technique which charges the most recent cost of goods to cost of sales and, thereby, reduces the reported profits in an inflationary period.

Approximately 57 percent of convenience stores now use LIFO to value their merchandise inventories. Some 22 percent of Group "A" Companies, 36 percent of Group "B" Companies, 52 percent of Group "C" Companies, 68 percent of Group "D" Companies, and 58 percent of Group "E" Companies currently are on LIFO. Approximately 31 percent of convenience stores reporting use LIFO to value their gasoline inventory.

The inventory inflation rate reported by perators using the LIFO method for inventories was 3.7 percent, which is based on a mixture of fiscal year ends and different product mixes. Based on the 3.7 percent reported LIFO inflation rate and assuming an inventory investment of $50,000, a company using the LIFO method would report approximately $1,850 less pretax profit per store. Assuming a composite Federal and state income tax rate of 40 percent, companies on LIFO would have increased 1989 cash flow by about $740 per store on their merchandise inventory alone.

Figure 37 - Percentage of Total Companies Using LIFO for Merchandise Inventory in 1989

Group	
A	22%
B	36%
C	52%
D	68%
E	58%
Average	**57%**

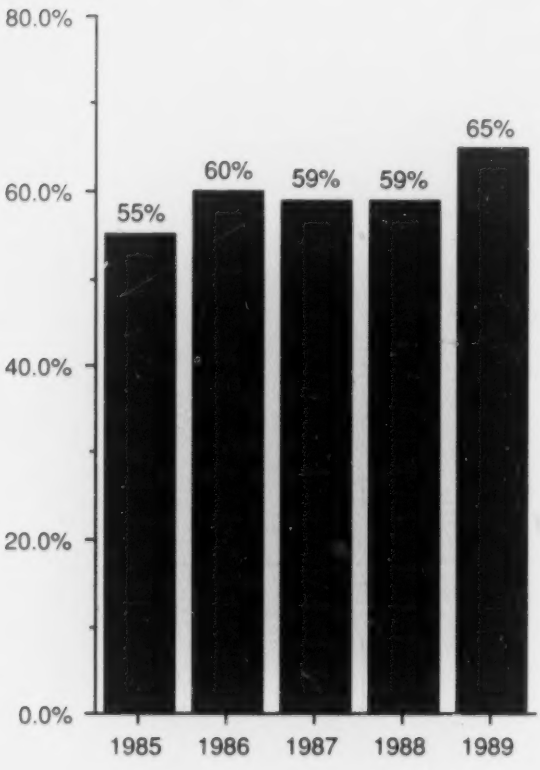
Figure 38 - Percentage of Total Companies Using LIFO for Gasoline Inventory in 1989

Group	
A	30%
B	52%
C	42%
D	57%
E	44%
Average	**40%**

The average gasoline sales per store was $595,000 in 1989 versus $539,000 in 1988. The average store pumped 56,000 gallons per month, up from 51,000 in 1988. The average number of hoses per store was 9.0, the same as 1988. And the average volume per hose was 74,000 gallons in 1989.

Overall, the 1989 average margin per gallon improved slightly: Company-owned pumps yielded 11.1 cents per gallon in 1989 compared to 10.9 cents in 1988. The gross margins on commission pumps averaged 8.8 cents in 1989 versus 7.2 cents a year earlier. The overall average (owned and commission) margin was 11.0 cents per gallon in 1989 up from 10.8 cents in 1988.

Figure 39 - Percentage of Stores Selling Gas



Average price per gallon sold in 1989 was 96 cents compared to 88 cents in 1988. This price increase accounted for a substantial part of the gain in average gasoline revenues.

During 1989, 65 percent of all convenience stores sold gasoline. The percentage of newly-built stores with gasoline was 75 percent of all stores opened in 1989. During 1988, 65 percent of newly-opened stores had gasoline.

In 1989, 93 percent of stores selling gasoline were "company-owned" versus 7 percent which were operated on a commission basis. Fifty-nine percent of the stores sold "branded" gasoline during 1989. And 84 percent of all gasoline stores accepted credit cards. For 14 percent of the stores, "pre-pay" was the method of payment.

Canopies were above 67 percent of the pumps during 1989 compared to 62 percent in 1988. Less than 1 percent of all gasoline installations reported having island card readers.

Figure 40 - Annual Gallons Per Gasoline Hose by Classification Group

Group	Gallons/Hose
A	96,000
B	73,000
C	87,000
D	55,000
E	75,000
Average	**74,000**

Figure 41 - Percentage of New Stores with Gasoline by Classification Group

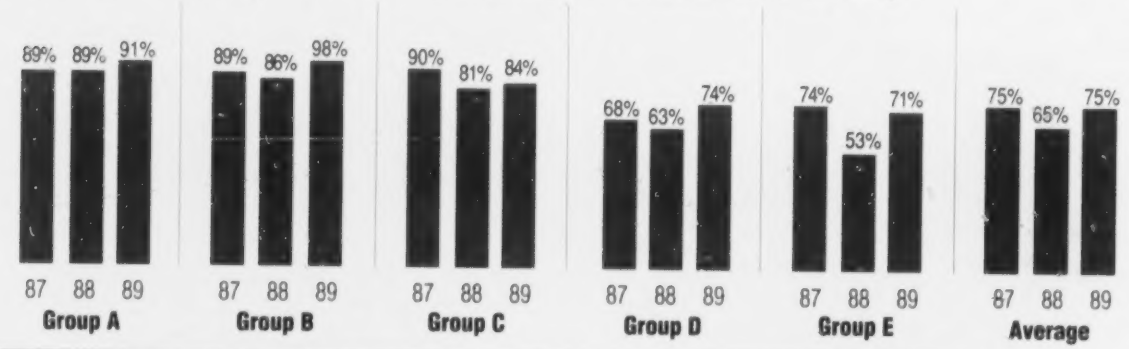


Figure 42 - Average Monthly Gallons of Gasoline Sold Per Store (000)

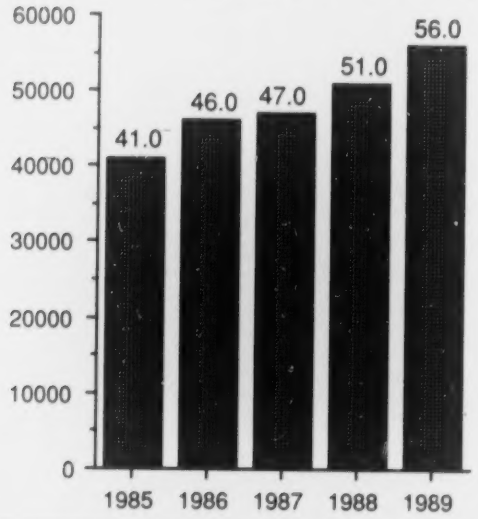
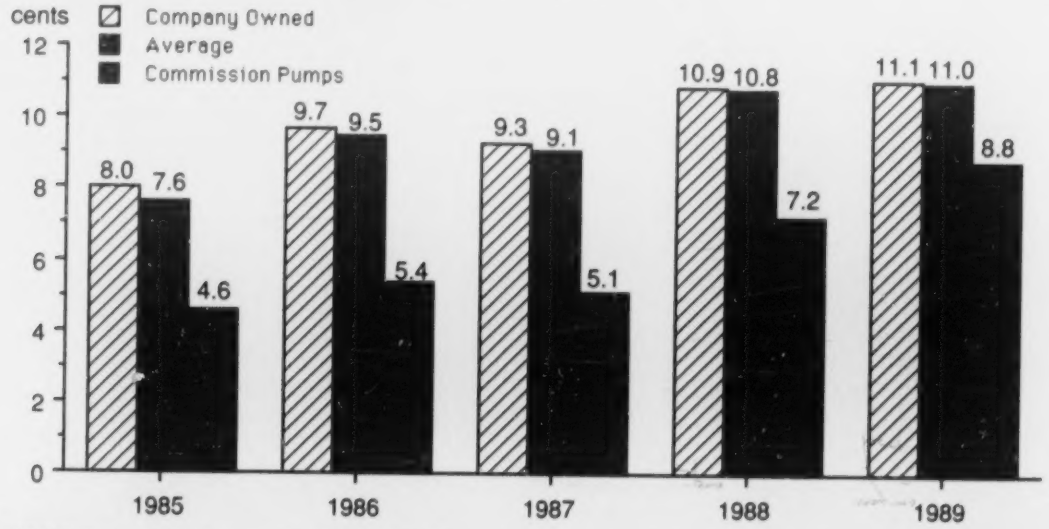


Figure 43 - Average Monthly Gallons of Gasoline Sold Per Store by Classification Group

Group	1987	1988	1989
A	--	--	74,000
B	60,000	68,000	42,000
C	49,000	68,000	57,000
D	48,000	68,000	47,000
E	46,000	41,000	59,000
Average	**47,000**	**51,000**	**[illegible],000**

Figure 44 - Average Margin Per Gallon of Gasoline in Cents



MARKETING AND IN-STORE MERCHANDISING

Ninety-two percent of all convenience stores have microwave equipment and 90 percent offer fast foods. Ninety-nine percent of the stores accept manufacturers coupons. Sixty percent of the stores have video games and 35 percent rent video tapes. A majority of the stores also provide money orders.

More than three-fourths of all convenience stores are open 24 hours per day. Also, most stores (94 percent) offer parking, with 39 percent of all stores having 10 or more parking spots.

Convenience stores have, on average, 1.9 cash registers per store. Of the stores reporting in this year's survey, about 1 percent had POS Scanning, the same as in 1988.

Figure 45 provides product category sales as a percentage of total store sales. Tobacco and beer rank 1 and 2 respectively, in convenience store sales. The percentage of sales of these items to total merchandise sales has remained relatively constant over the last several years. Tobacco and soft drinks are sold in almost every convenience store while beer is sold in 79 percent of the industry's stores. Also, the decrease in Deli Services (excluding sandwiches) is due to the change in the sample of companies participating in this year's survey.

The product categories with the highest reported gross margin in 1989 were hot beverages, frozen beverages, fountain drinks, and ice. There was relatively little change in product category margins reported for 1989 versus 1988 margins.

The average store inventory turnover was 11 times, an increase from 9.5 times in 1988. As in prior years, the inventory turnover response was low and, therefore, the sample size was

Figure 45 - Industry Averages by Product Category

	Percentage of Merchandise Purchases		Gross Margin Percentage		Inventory Turnover Rate	
	1988	1989	1988	1989	1988	1989
Cooler						
Beer	11.5%	14.0%	27%	25%	23.4	20.6
Soft Drinks	8.9	9.8	37	34	15.2	17.6
Juices	1.9	2.0	38	40	15.9	17.0
Milk & Milk Products	5.5	5.1	22	22	54.3	45.4
Packaged Deli	0.7	0.7	36	32	17.0	14.4
Produce	0.3	0.6	23	25	52.0	29.0
Eggs	0.2	0.6	22	25	23.1	22.4
Frozen						
Frozen Food	0.6	1.4	37	35	6.1	6.1
Ice Cream	1.4	1.1	40	37	13.6	12.2
Ice	0.8	0.8	53	58	20.4	22.4
Room Temp.						
Bread & Cakes	3.4	2.5	30	30	73.1	47.5
Cookies	0.7	1.6	36	35	10.9	12.2
Salty Snacks (Chips,Nuts, etc.)	4.1	3.6	36	38	21.4	24.7
Candy & Gum	5.0	5.3	43	44	17.1	16.4
Groceries	5.0	3.9	37	34	8.1	8.6
Health/Beauty	2.7	2.3	39	38	7.7	7.9
Tobacco	21.5	23.3	30	26	16.7	18.6
Publications	4.1	3.4	20	21	14.3	12.8
Wine/Liquor	1.8	0.9	32	31	7.9	9.3
Auto/Motor Oil	1.0	0.8	38	33	9.4	8.9
Gen. Merchandise	3.7	3.8	39	41	7.9	9.8
Fast Food						
Sandwiches-Fresh	2.1	1.2	41	42	70.7	66.8
Sandwiches- Frozen	1.2	0.8	37	37	41.5	24.1
Deli Services (expt. sndwchs)	3.5	2.0	40	37	28.0	35.0
Food Cooked On-Site	1.5	0.9	48	37	83.2	93.8
Fountain Drinks	2.8	3.7	64	61	15.6	28.9
Frozen Beverages	1.1	0.7	57	63	8.0	25.7
Hot Beverages	1.4	2.4	68	68	37.1	35.0
Other Fast Food	1.4	0.8	38	46	67.9	44.0
Total Merchandise	100%	100%			9.5	11.1

Figure 46 - Percent of Stores Selling the Following Categories by Classification Group

Product Category	A	B	C	D	E	Average
Cooler						
Beer	68.6%	63.9%	57.4%	80.1%	84.2%	79.1%
Soft Drinks	95.4	97.7	100.0	100.0	99.8	99.7
Juices	86.2	83.2	77.0	80.6	90.2	87.9
Milk & Milk Products	95.4	95.9	94.1	99.0	99.3	98.7
Packaged Deli	75.9	63.9	63.8	60.4	55.8	57.4
Produce	27.7	27.5	49.4	16.7	56.7	50.7
Eggs	76.3	80.5	59.1	67.1	79.5	76.4
Frozen						
Frozen Food	61.3	67.8	85.5	78.8	77.0	77.5
Ice Cream	84.7	91.0	93.7	91.2	89.8	90.2
Ice	81.5	90.7	90.7	82.7	91.3	90.2
Room Temp.						
Bread & Cakes	89.8	96.7	94.1	98.1	99.5	98.7
Cookies	85.4	88.3	86.5	95.0	93.3	92.7
Salty Snacks (Chips,Nuts, etc.)	89.8	97.4	94.1	98.3	99.7	98.9
Candy & Gum	91.0	97.7	100.0	96.7	99.9	99.4
Groceries	97.6	94.3	100.0	95.2	98.5	98.1
Health/Beauty	90.2	94.5	86.5	82.9	92.6	91.1
Tobacco	99.6	98.1	100.0	100.0	99.9	99.9
Publications	75.9	81.5	85.6	92.2	96.5	94.5
Wine/Liquor	33.6	33.7	27.9	40.7	34.6	34.7
Auto/Motor Oil	85.8	90.5	79.4	80.3	65.1	68.8
Gen. Merchandise	88.6	91.6	81.6	79.4	55.5	61.5
Fast Food						
Sandwiches-Fresh	73.0	53.2	62.4	31.8	24.2	29.5
Sandwiches-Frozen	40.1	45.0	40.6	49.5	79.9	72.0
Deli Services (expt. sndwchs)	45.7	25.8	35.1	24.4	54.4	48.7
Food Cooked On-Site	42.2	22.4	20.3	5.2	70.3	57.6
Fountain Drinks	80.3	78.0	93.1	95.6	92.5	92.3
Frozen Beverages	39.9	56.9	29.5	67.8	19.4	26.7
Hot Beverages	75.5	83.2	70.3	96.6	93.6	91.5
Other Fast Food	59.8	28.0	23.8	22.2	21.7	22.5

Figure 47 - Percent of Companies Warehousing Specific Product Categories

	1988	1989
Dry Grocery	10.5%	8.0%
Health & Beauty	4.5	6.3
Dairy	9.0	6.3
Frozen Foods	10.5	6.3
Fast Foods	9.7	7.1
Tobacco	10.5	8.7
Soft Drinks	9.7	10.2
Other	26.1	26.8

limited. This should be considered when evaluating the turnover data. Figure 45 presents inventory turnover by product category.

Nineteen eighty-nine continued the trend of companies reducing their warehousing of specific products. Since 1987, there has been a sizeable decrease in the percent of companies warehousing dry grocery, dairy and tobacco products.

Figure 48 - Percent of Stores Offering the Following by Classification Group

	A		B		C		D		E		Average	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
Specialty Products Offered:												
Prepared Foods (On-site)	--	47	--	29	--	36	--	40	--	37	--	37
Prepared Foods (Fast Foods)	--	79	81	81	62	84	65	62	83	95	83	90
Service Deli	--	23	33	27	25	27	38	20	39	39	39	35
On-Premise Bakery	--	13	9	7	7	9	20	2	6	7	6	6
Fried Chicken	--	12	13	12	9	8	2	3	3	2	3	3
Pizza	--	24	20	15	6	16	3	11	4	15	4	14
Hot Dogs	--	74	--	72	--	63	--	54	--	78	--	74
Other	--	10	9	5	5	6	--	14	4	4	4	4
Services Offered:												
Microwave Equipment	--	99	88	95	95	99	88	65	95	95	95	92
Lottery Tickets	--	46	43	49	43	52	59	50	51	57	51	55
Vending Machines	--	20	18	21	5	7	1	11	2	--	2	3
Video Games	--	23	14	16	48	35	25	52	55	67	55	60
Film Processing	--	2	2	3	3	13	2	1	1	--	1	1
Video Rentals	--	25	22	30	35	31	36	14	44	38	40	35
Money Orders	--	41	44	56	64	67	63	83	89	79	77	77
Check Cashing	--	46	56	54	60	72	78	64	73	16	71	27
Automated Teller Machines	--	2	4	2	6	8	19	8	8	13	10	12
Credit Cards	--	84	68	81	75	82	49	58	73	38	68	46
Debit Cards	--	9	8	16	21	13	12	23	21	6	18	9
Seating for Fast Food	--	32	20	30	7	10	6	12	8	4	8	7
POS Scanning	--	11	2	5	7	7	0	1	0	1	1	1
Manufacturer Coupon Accepted	--	74	--	88	--	95	--	100	--	96	--	95
Other	--	6	--	--	--	6	--	14	--	--	--	2
Car Washes:												
Car Washes	--	9	--	6	--	1	--	--	--	1	--	1
Aver. per Month	--	1646	--	2370	--	1221	--	--	--	571	--	915
Hours of Operation:												
Less than 24 Hours	--	50	49	39	34	45	36	15	8	18	21	21
Open 24 Hours	--	50	51	61	66	55	64	85	92	82	79	79
Parking/Access (not counting parking at pumps):												
No parking, but convenient pedestrian access	--	7	3	5	2	--	2	2	2	8	2	6
1-10 striped spaces	--	62	69	53	47	51	41	65	92	53	72	55
10+ striped spaces	--	31	25	43	47	48	35	33	6	39	20	39
Cash Registers per Store	--	1.6	--	1.7	--	1.6	--	1.8	--	1.9	--	1.9

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